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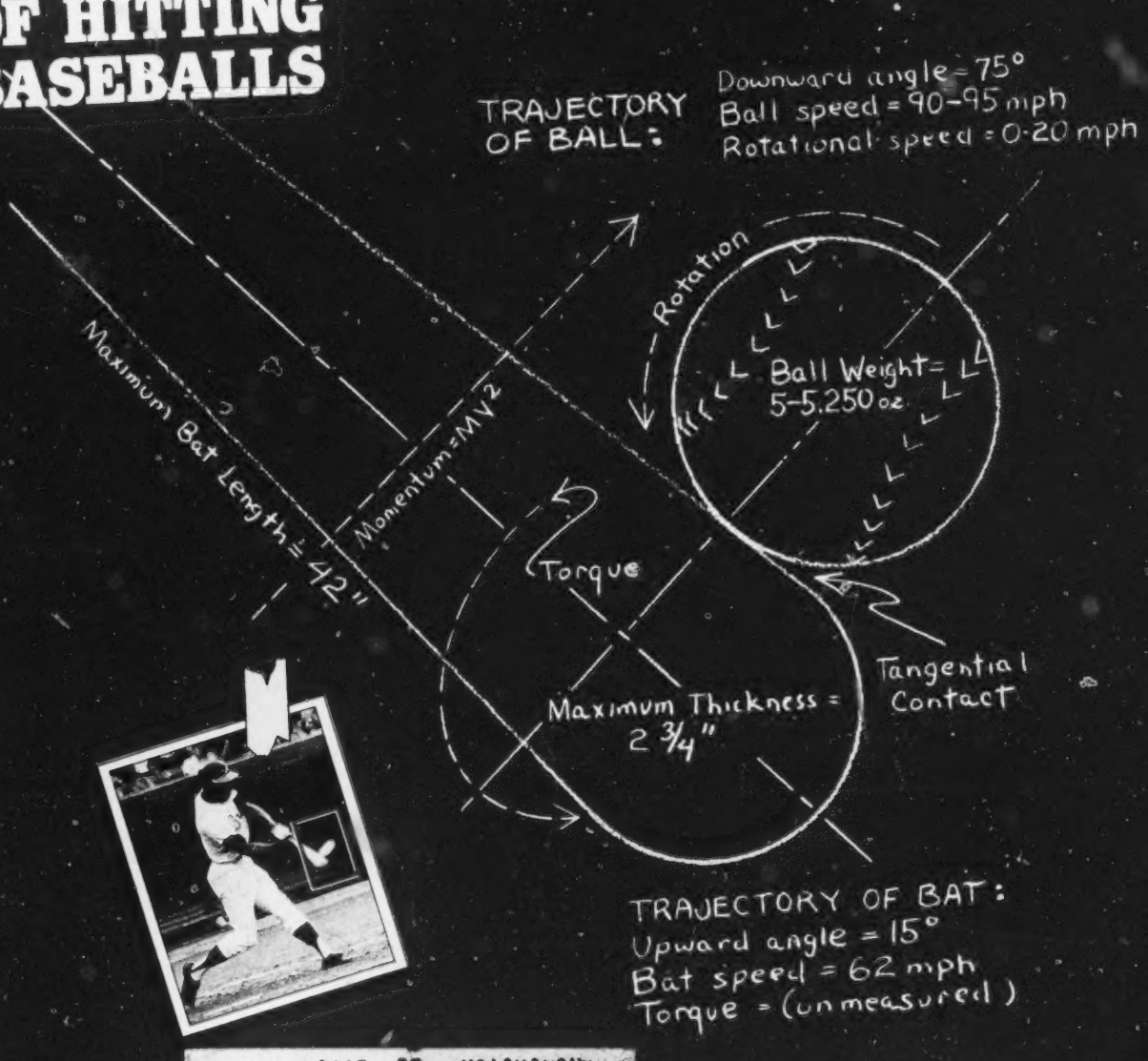
SEPTEMBER 26, 1983 THREE DOLLARS

Forbes

TECHNOLOGY

THE SCIENCE OF HITTING BASEBALLS



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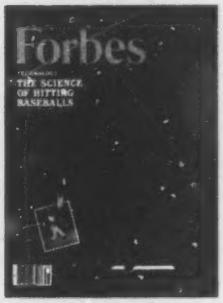

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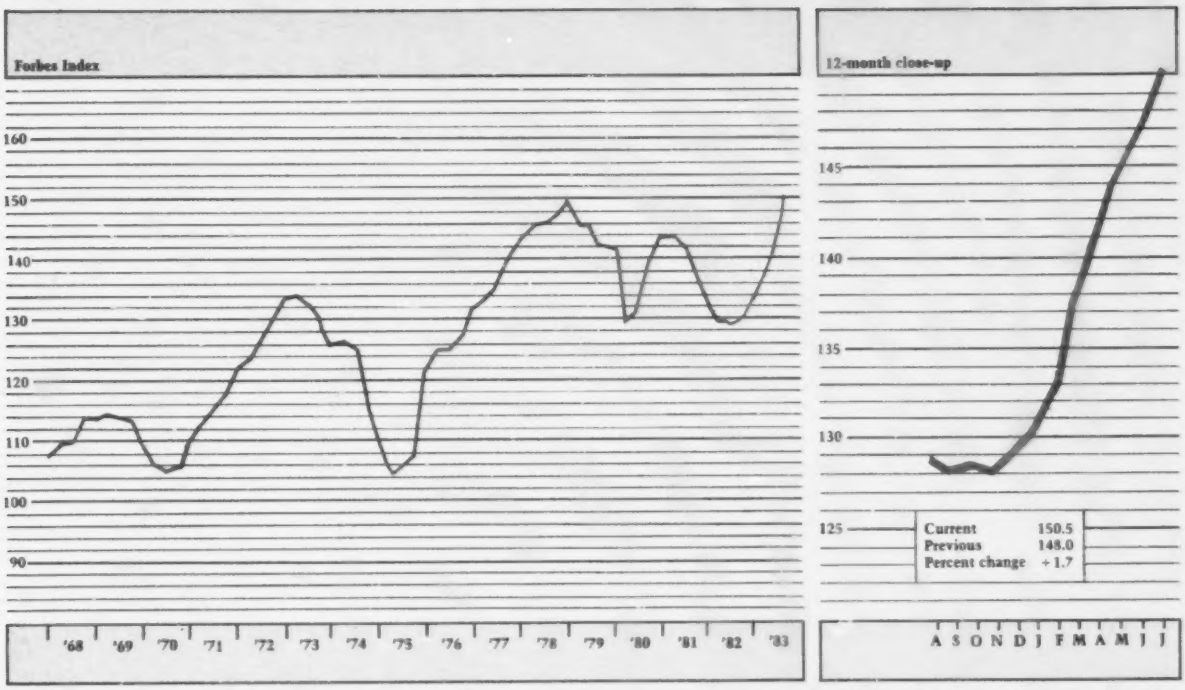
The Forbes Index



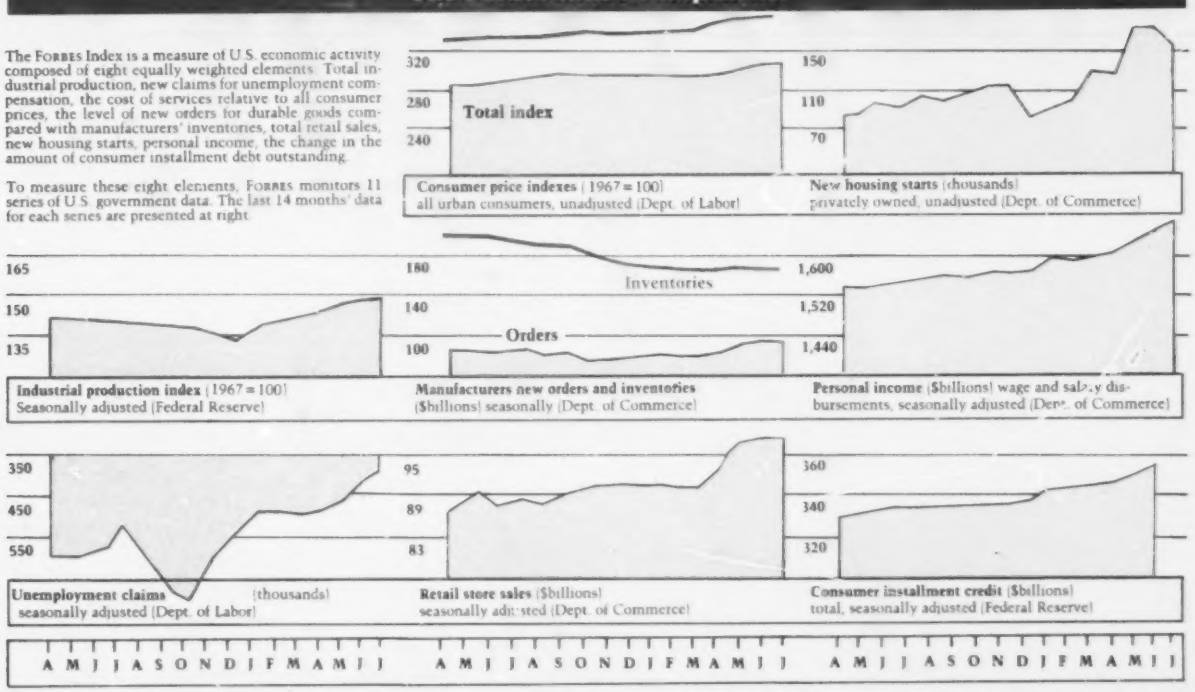
Pushing up. The Forbes Index, once again, made a respectable gain. With a 1.7% advance, it is now at an alltime high. Helping to boost the Index was a healthy drop of 6.6% in new unemployment claims from June to July. This is the fourth consecutive month in which this statistic has declined, and the trend is an encouraging sign. A rise in consumer prices also contributed to the gain. The service component shows a 0.5% month-to-month rise, while the total Consumer Price Index moved up only 0.4%.

Two components slowed the upward movement: manufacturers' new orders were down 3.6% and inventories declined 0.1%. But, in the short run, these minor setbacks could help minimize inflationary pressure. In the long run that could help to sustain the recovery.

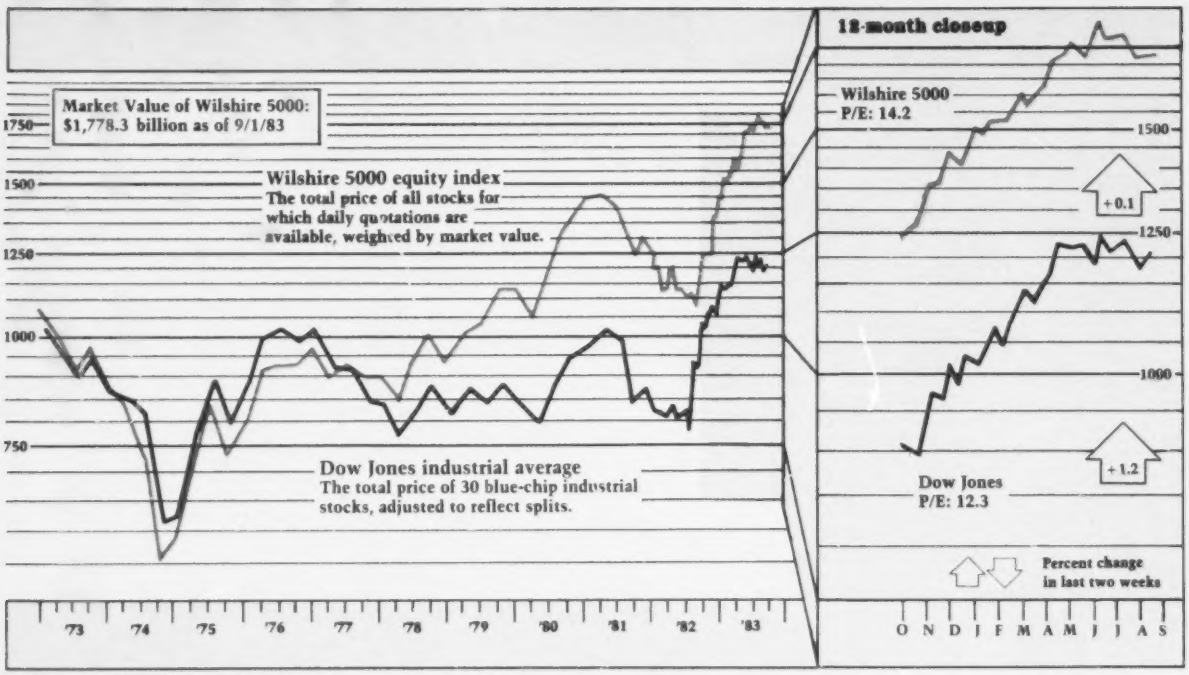
The Forbes Index Components

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements. Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, the change in the amount of consumer installment debt outstanding.

To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series are presented at right.



The Forbes/Wilshire 5000 Review


Market Value of Wilshire 5000: $1,778.3 billion as of 9/1/83
1750
1500
1250
1000
750
Wilshire 5000 equity index
The total price of all stocks for which daily quotations are available, weighted by market value.
Dow Jones industrial average
The total price of 30 blue-chip industrial stocks, adjusted to reflect splits.
'73 '74 '75 '76 '77 '78 '79 '80 '81 '82 '83
12-month closeup
Wilshire 5000
P/E: 14.2
1500
+0.1
1250
1000
+1.2
Dow Jones
P/E: 12.3
Percent change in last two weeks
O N D J F M A M J J A S

Quality counts. For most of August trading volume was anemic, but at the end of the month the market began to pop up. In one day of heavy trading the Dow gained more than 20 points. Nevertheless, as the summer wound to a close, investors took few chances with this more than 12-month-old bull market. Bargain-hunting helped to take some of the pressure off the technology issues, and some cautious buying pushed the Dow up 1.2% for two weeks and 2% for the four-week period.

But the NYSE and the broadly based Wilshire index were up only 0.1% for the two weeks and underperformed the Dow over the four-week stretch. The real weakness was in the secondary issues. The Amex slipped 0.3% over two weeks and 0.2% over four weeks. And NASDAQ stocks declined 1.7% in both the two-week and four-week periods. However, on a 52-week basis the Amex and NASDAQ indexes are running neck and neck for the lead, with gains of just under 65%. On the same basis, the Dow has underperformed the NYSE: 32.7% vs. 37.5%.

High-P/E stocks lost 1.7% over four weeks while low-multiple issues managed to eke out slight gains. Nevertheless, the P/E for the average issue rose. The multiples on both the Wilshire index and the Dow are higher than they were a month ago.

Close-up On The Equity Markets

Performance of six leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
in last 4 weeks	1.7	1.9	2.0	1.6	–0.2	–1.7
in last 52 weeks	41.2	35.4	32.7	37.5	63.4	64.1

Stock performance based on five key investor yardsticks

Percent change	Company size		Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	large	small	high	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
in last 4 weeks	1.8	–2.9	–1.5	0.4	–1.7	0.2	1.0	–0.3	–0.4	0.7	0.1	–2.6
in last 52 weeks	42.5	137.3	121.6	51.8	89.1	126.9	45.1	125.8	141.5	50.6	55.4	129.1

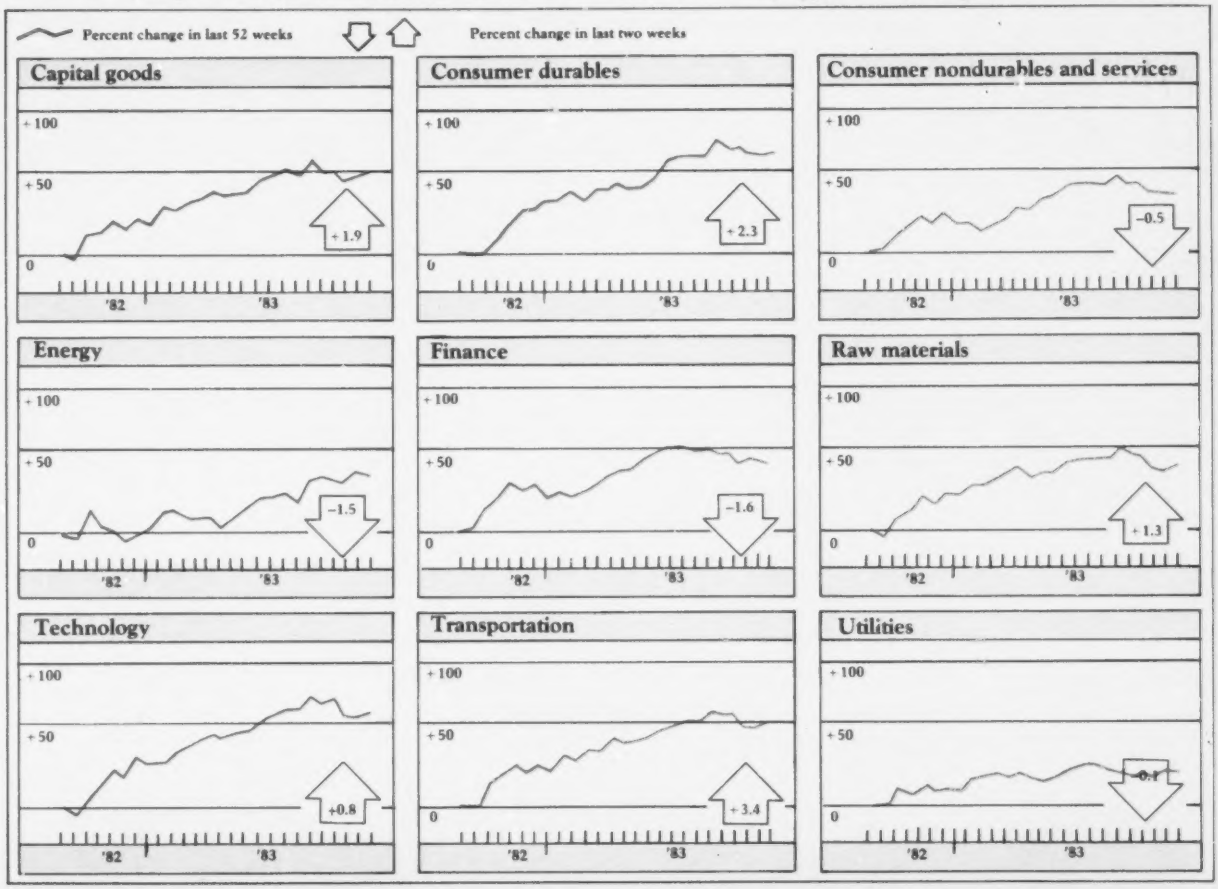
[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 9/1/83. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

The oils cool off. After making it through the summer relatively unscathed and posting a 16% gain from the beginning of June until the middle of August, the oils took some of the hardest blows. Energy stocks fell 1.5% in two weeks. And on a 52-week basis the energy stocks dropped behind raw materials. Now the only sectors that have smaller annual gains are consumer nondurables and utilities. Both of these sectors also registered two-week fractional losses. However, the weakest group during the last ten trading days was finance, off 1.6%.

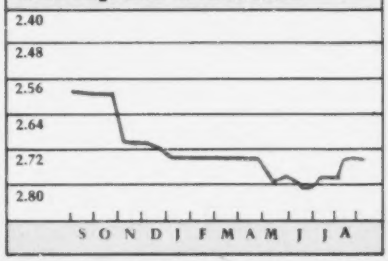
Transportation, up 3.4%, and consumer durables, up 2.3%, put in the best performance. The auto industry is still not cruising at high speed, but prospects are a lot better than they appeared a year ago.



What The Analysts Think

It pays to study finance. Despite the fact that the finance sector was the worst-performing group during the last two weeks, the experts think that these stocks are now slightly more attractive. On the other hand, the seers are a bit more pessimistic about other groups. In the last two weeks, they downgraded five of the nine sectors.

The experts' consensus



Rank	Sector	Current opinion	Rank 2 weeks ago	Rank 4 weeks ago
1	Utilities	2.47	1	1
2	Transportation	2.67	2	2
3	Raw materials	2.70	3	3
4	Energy	2.75	4	4
5	Finance	2.75	5	6
6	Capital goods	2.79	6	5
7	Technology	2.81	7	8
8	Consumer nondurables	2.83	8	8
9	Consumer durables	2.98	9	9

Opinion ratings are ranked on a scale of 1 (strong buy) to 5 (strong sell). Data reflect the views of 200 institutional analysts. The consensus of opinion graph is the composite rating of 1,200 stocks, while the sector breakdowns correspond to industry groups graphed above. All figures are weighted for market capitalization.

Note: All data for periods ending 9/1/83. Prepared by Wilshire Associates, Santa Monica, Calif.

The average stock is up 62% since Aug. 12, 1982. But lots of issues can't match that performance. Here are the laggards.

Bull market bums

By Diana L. Hoadley

AFTER A BRILLIANT ten months, the stock market struggled through the summer and now may be on the mend. The broad-based Wilshire index is up 62% since last August. The Dow industrials made 52.5% gains, and the performances of Amex and NASDAQ issues were even more spectacular.

But averages are averages. Not all shareholders who rode the market during the last 12 months wound up rich. Yes, Virginia, it was possible to lose money on Wall Street, even during 1983.

To get a feel for the losers, we screened the 5,000-stock Wilshire database for issues that gained 10% or less since the market began climbing out of the high 700s. We eliminated some of the more volatile low-priced and smaller firms by requiring a recent market price of at least $5 and sales of at least $50 million. We also eliminated companies without at least 50 cents in per-share earnings for the latest 12 months.

What is left is a list of 50 stocks that failed resoundingly. When you consider that investors in today's market doubled and even tripled the prices of companies such as American Motors, International Harvester, Beker Industries and Eastern Air Lines—even though these firms are still losing millions of dollars—the performance of the stocks in our table is sad indeed.

In a bull market, of course, even failure has its rewards. Note that the six stocks at the bottom of our losers list actually posted gains of up to 10%. Not too long ago, many a money manager would have earned a raise to end the year with an average return that good.

Each firm on the table has its own hard luck story. Still, there is a heavy representation of banks and utilities. Overextension and overexpansion also hurt companies like Reeves Communications and Long Island Lighting, which investors once loved.

In the depressed pre-bull market, other companies were flush with cash and went hunting for bargains. But some of their "buys" required heavy borrowing and high interest charges. Baldwin-United's acquisition of MGIC, for example, contributed to a $1 billion pile-up of short-term debt.

Nutri/System is also high on our list. In the early 1980s this young company scored big with its weight-loss control centers. From 1972 to 1982 Nutri/System managed profit growth of 95% annually. Then came the acquisitions—200 Gloria Marshall fitness centers, an executive search firm and expansion into natural cosmetics.

All this added inches to what once was a chic corporate profile. Earnings have declined about 30% and debt has risen from zero to $8 million for the year ended July 31, 1983. Now, trimming the fat will be painful. Steven Handley of L.F. Rothschild sees profits of $2.50 a share in fiscal 1984, "provided the effects of diversification can be neutralized."

Other companies, of course, stumbled for the opposite reason. They didn't diversify quickly enough. Wells-Gardner, for example, specializes in video monitors for coin-operated video games and computer terminals. It enjoyed the giddy rise in the popularity of video games, but the firm now faces a decline in excess of 50% on orders for the year ended Aug. 31, 1983. A major customer (Bally/Midway) scaled back orders, and a former customer (Atari) now supplies its own monitors.

The screen that reads "game over" for much of the coin-operated video market puts another company on our list. Bally Manufacturing, the parent of Bally/Midway and Bally Park Place (83% ownership) has suffered an 86% decline in profit for the six months ended June 30, 1983, versus the comparable period for 1982. Meanwhile Bally is enjoying the game at Atlantic City. Slot-machine revenues are increasing at above-average rates. The future? Bally Park Place's prospects should continue to improve as Atlantic City's popularity increases, and the company should help its video game sales with the recent acquisition of Sega Enterprises, a leader in laser disk technology.

Currency losses also added several companies to our roster of bad performers. With the dollar hitting new highs and currencies like the French franc, Italian lira and Mexican peso hitting new lows, firms as diverse as Kodak, Johnson & Johnson and PepsiCo have been hit by shrinking profit margins.

What venturesome investors might find attractive about our hard-luck

Even the bad guys were good

One measure of the market's recent strength is the fact that over the past year no industry group dropped in price. Here are the ten worst performers.

Group	% change
Recreation—movies, sports	10.2%
Electric utilities	16.9
Food—confectioners	29.1
Food—packaged goods	29.4
Tobacco	30.5
Communications	31.8
Cosmetics & personal items	35.9
Drugs	41.[illegible]
Precision instruments	42.1
Heavy machinery	47.2

Source: Media General.

companies, however, is the fact that most of them have comeback potential. Many, such as Wells-Gardner, Hauserman, Long Island Lighting and Piccadilly Cafeterias, are selling close to their 52-week lows. A few, including American Biltrite, Enterra and Tesoro Petroleum, are selling below book value.

With so many other issues trading on the basis of lofty earnings estimates two and three years out, these losers may be among the more reasonably priced stocks around. Everyone warns speculators that what goes up must come down. But sometimes people forget that what went down may be even more likely to go up. ■

Pulling up the rear

These 50 companies are among the poorest performers in the current bull market. But even their results are not bad by historical standards. Almost half managed to come through the period with gains rather than losses.

Where traded	Company	Business	Price: % change since 8/12/82	Price: recent	Price: 52-week range	EPS latest 12 mos	P/E	Yield	Book value
N	Baldwin-United	insurance	−71%	7	50⅝– 5½	$2.24	3.1	0.0%	$20.57
A	Wells-Gardner Elec	electronics	−47	6¼	12⅞– 6¼	1.22	5.1	8.0	4.72
O	Affiliated Bk Cp Wyo	banking	−24	29	38 –23	3.70	7.8	5.4	35.82
O	First Bancshs La	banking	−24	20¼	20¾–13¼	2.43	8.3	2.0	28.84
O	Reeves Comms	entertainment	−23	13	28⅝–12	0.62	21.0	0.0	12.46
O	Tony Lama	apparel	−21	16⅝	25¼–12⅜	1.50	11.1	4.8	16.06
N	Enterra	energy	−19	18½	27 –14⅞	1.41	13.1	4.5	20.25
N	Bally Mfg	hotel/gaming	−15	20⅝	31⅝–19⅝	1.65	12.5	1.0	18.67
N	Nutri/System	weight-loss centers	−11	17⅜	48⅛–16¾	1.67	10.4	1.8	3.91
O	Hauserman	furniture	−8	11¾	19 –11½	0.88	13.4	4.3	13.24
O	Teleco Oilfield Sv	oilfield services	−7	13¼	20½–12	0.63	21.0	0.4	6.05
N	PepsiCo	soft drink	−6	34	50 –32⅝	2.76	12.3	4.8	18.60
O	Oceaneering Intl	oilfield services	−5	10⅞	16⅝– 8½	0.66	16.5	0.0	6.72
O	Mark Twain Bancshs	banking	−5	15	16 –14½	2.79	5.4	4.8	22.59
N	Tesoro Petroleum	petroleum	− 4	16⅝	18⅝–14	2.90	5.7	2.4	27.67
N	Daniel Industries	oilfield equipment	− 4	10¼	14⅞– 9¼	1.99	5.4	1.7	11.50
N	Eastman Kodak	photo/chemical	−3	69⅜	98⅛–64⅛	6.83	10.2	5.1	45.51
N	Michigan Energy Res	utility	−3	12⅜	15⅝–11½	0.90	13.8	10.8	NA
O	Piccadilly Cafeterias	restaurants	−3	13⅛	18⅜–13⅛	1.08	12.2	4.6	7.29
O	Provident Bancorp	banking	−3	46¾	48½–41	5.42	8.6	0.2	46.99
O	United Cities Gas	utility	−2	11¾	13¼–10¾	1.48	7.9	11.1	16.06
N	Long Island Ltg	utility	−1	14¾	18 –14½	2.72	5.4	13.7	18.65
O	Moore Prods	precision instruments	0	26¾	33¾–26¼	2.15	12.4	3.3	19.75
N	Wendy's Intl	fast-food service	0	14¾	19⅝–11⅜	1.17	12.6	1.6	6.55
O	Color Tile	specialty retail	1	14¼	28 –13¾	1.28	11.1	0.0	9.80
N	Sea Cont/SeaCo Grp	maritime	1	23	31 –22	2.97	7.7	1.8	10.61
O	William E Wright	apparel	1	11	15½–10	1.65	6.7	3.3	13.65
N	Sargent-Welch Scien	precision instruments	1	26⅞	32½–25¼	1.35	19.9	4.5	24.48
N	Duke Power	utility	2	21⅞	24 –20½	3.32	6.6	10.4	25.07
N	Suave Shoe	footwear	4	8⅞	13⅞– 8¼	1.63	5.4	3.4	11.70
N	Cincinnati G&E	utility	5	16⅞	20 –16½	2.60	6.5	12.8	20.14
O	First Okla Bancorp	banking	5	16¼	21 –14¾	1.55	10.5	3.9	20.99
O	Bitco	insurance	5	19¼	27 –17¾	2.32	8.3	6.9	35.98
N	Dominion Resources*	utility	5	20⅞	23¾–19½	2.88	7.2	11.5	18.48
N	Johnson & Johnson	health care/hosp sup	5	40⅞	51½–38¾	2.64	15.5	2.7	15.85
N	Frank B Hall & Co	insurance	5	27⅞	35⅜–24½	1.27	21.9	6.1	14.92
N	Washington Wtr Pwr	utility	6	19⅛	22¾–18½	8.03	6.3	13.0	22.54
A	Ionics	water purification eq	7	17¼	25¾–17	1.12	15.4	0.0	11.93
O	Independent Bkshs	banking	7	12¼	13¼–10¾	1.44	8.5	2.4	11.22
O	Heritage Wisconsin	banking	8	14	14 –13	1.83	7.7	4.3	14.72
N	Kroger	grocery stores	8	38⅜	47¼–34⅞	4.28	9.0	4.9	32.81
O	Washington Energy	utility	8	13⅛	15⅛–12½	1.42	9.2	12.2	17.58
A	American Biltrite	floor covering	8	6½	7½– 3½	0.18	36.1	2.3	8.61
A	American Petrofina	petroleum	8	59¼	60⅝–47¼	3.36	17.6	5.4	52.07
N	Aetna Life & Cas	insurance	9	36⅛	44¾–32⅞	4.22	8.6	7.3	47.27
O	Central Banking Sys	banking	9	20	22½–18¾	2.14	9.3	2.0	15.68
N	American Elec Pwr	utility	9	17⅝	20 –17	1.85	9.5	12.8	20.36
N	Northwest Inds	multicompany	9	40½	44⅞–32½	0.96	42.2	6.6	37.53
N	Portland General Elec	utility	10	14¼	15⅝–13¼	2.94	4.8	12.5	18.45
N	Carolina Pwr & Lt	utility	10	21¾	23 –18⅞	3.16	6.9	11.0	25.09

*Formerly Virginia Electric & Power. A: American Stock Exchange. N: New York Stock Exchange. O: over-the-counter. *Source: Wilshire Associates.*